

# **T.Y. LIN INTERNATIONAL**

## **Audit Report**

### **SAN DIEGO ASSOCIATION OF GOVERNMENTS (SANDAG) CONTRACT NO. 5000925**

*January 1, 2006, through February 29, 2008*



**JOHN CHIANG**  
California State Controller

June 2008



**JOHN CHIANG**  
**California State Controller**

June 13, 2008

Douglas Gibson  
Audits and Investigations (MS 2)  
California Department of Transportation  
P.O. Box 942874  
Sacramento, CA 94274-0001

Dear Mr. Gibson:

The State Controller's Office has completed a pre-award audit of T.Y. Lin International's proposed costs under Contract No. 5000925 with the San Diego Association of Governments for the period of January 1, 2006, through February 29, 2008.

Our audit determined that the required fiscal provisions are included in the agreement. In addition, the consultant's proposed costs are reasonable in relation to actual historical costs and estimating procedures, and its financial management system is adequate to accumulate and segregate reasonable, allocable, and allowable project costs.

If you have any questions, please call Andrew M. Finlayson, Chief, State Agency Audits Bureau, at (916) 324-6310.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB:wm

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## **Audit Report**

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# Audit Report

## Summary

The State Controller's Office (SCO) has completed a pre-award audit of T.Y. Lin International's (consultant) proposed costs under Contract No. 9000925, an agreement between the San Diego Association of Governments and the consultant, for the period of January 1, 2007, through January 30, 2008.

Our pre-award audit determined that the required fiscal provisions are included in the agreement. In addition, the consultant's proposed costs are reasonable in relation to actual historical costs and estimating procedures, and its financial management system is adequate to accumulate and segregate reasonable, allocable, and allowable project costs.

## Background

The San Diego Association of Governments (SANDAG) received a contract proposal (Contract No. 5000925) from T.Y. Lin International to provide project management and project administration—roadway, drainage, and structure design. The proposed contract shall commence on the date agreed to by the contracting parties and shall terminate two years after the date stated on the Notice to Proceed; the total amount shall not exceed \$10,000,000. The method of payment for this contract shall be "specified rates of compensation." Under this method of payment, the consultant is paid at an agreed-upon and specific hourly rate for each employee working directly on the contract work. The specific hourly rates include the consultant's fee, direct salary costs, and indirect costs, such as overhead, fringe benefits, prevailing wages, and other administrative charges. In addition, except for transportation and subsistence costs, the consultant shall be reimbursed for direct costs at actual cost.

The subconsultants proposed for this contract are:

LSA Associates, Inc.  
Bureau Veritas North America, Inc.  
Harris & Associates  
Lintuedt, McColl & Associates  
IDC Consulting Engineers  
Kleinfelder Engineers  
Wilson and Company, Inc.  
Estrada Land Planning  
Chang Consultants  
Earth Mechanics, Inc.  
Safdie Rabines Architects  
VRPA Technologies

The consultant is responsible for ensuring compliance with contract provisions and state and federal regulations. This responsibility includes, but is not limited to, ensuring that the costs proposed for this agreement are reasonable, allowable, and allocable, and that its financial management system is adequate to accumulate and segregate reasonable, allocable, and allowable costs.

**Objectives, Scope,  
and Methodology**

The scope of our audit was limited to financial and compliance activities related to the above-referenced contract proposal. Our audit consisted of verifying the proposed costs and assessing the accounting principles used and significant estimates made by the consultant, as well as evaluating compliance with the Code of Federal Regulations (CFR) 49, Part 18, and CFR 48, Chapter 1, Part 31. We reviewed the proposed agreement, interviewed applicable personnel, performed limited tests on the consultant's financial management system, and proposed costs as of February 29, 2008. (We reviewed the proposed rates for the purposes of accepting contract progress billings.) Financial-management-system and cost-proposal changes subsequent to that date were not tested and, accordingly, our conclusion does not pertain to changes occurring after this date.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We did not audit T.Y. Lin International's financial statements and we did not audit or examine the proposed indirect rates, as a pre-award audit is significantly more narrow in scope than an indirect-cost audit or examination. Those financial statements and indirect cost rates were audited by other auditors whose reports have been furnished to us. Our review of T.Y. International's internal control was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

**Conclusion**

Our pre-award audit determined that T.Y. International included the required fiscal provisions in the agreement. In addition, the consultant's proposed costs are reasonable in relation to actual historical costs and estimating procedures and its financial management system is adequate to accumulate and segregate reasonable, allocable, and allowable project costs.

**Views of  
Responsible  
Official**

We discussed the audit results with Allison Bagby, Controller/Vice President, T.Y. International, during an exit conference held on April 7, 2008. Ms. Bagby agreed with the audit results. No findings were disclosed during the audit; therefore, a draft report is not necessary and the report will be issued as final.

## **Restricted Use**

This report is solely for the information and use of the California Department of Transportation, T.Y. Lin International, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

June 13, 2008

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Division of Audits  
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